

Message Text

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SUBJECT: AID MINISTRY STATE SECRETARY DENIES REPORT OF
IMMINENT LARGE FRG AID TO YUGOSLAVIA

REF: (A) BONN 6433

(B) BONN 5970

1. ON AUGUST 2, THE PARLIAMENTARY STATE SECRETARY OF THE FRG AID MINISTRY, MATTHOEFER, DENIED A FRONT-PAGE REPORT OF FRANKFURTER ALLGEMEINE WHICH HAD STATED THAT CHANCELLOR BRANDT, DURING HIS DISCUSSIONS WITH PRESIDENT TITO IN APRIL, HAD PROMISED A DM 700 MILLION LOAN TO YUGOSLAVIA FOR 1974. THE PAPER REPORTED THAT BRANDT HAD SUBSEQUENTLY INFORMED THE CABINET OF THIS COMMITMENT, ASKING THAT IT BE CONSIDERED DURING THE BUDGET DISCUSSIONS THIS FALL.

2. MATTHOEFER SAID THAT A) NO SUCH COMMITMENT WAS MADE, B) THERE EXISTS NO CABINET DECISION, C) THE CABINET HAS NOT BEEN INFORMED, D) THERE HAVE NOT BEEN ANY NEGOTIATIONS, AND E) NO BUDGETARY DECISIONS HAVE BEEN MADE. HE ADDED THAT THE NEWSPAPER REPORT, WHICH HE CONSIDERED BAD JOURNALISM BECAUSE IT WEAKENED THE GERMAN POSITION BEFORE THE START OF NEGOTIATIONS, WAS "FISHING IN TROUBLED WATERS" TO FIND OUT WHAT IS GOING ON.

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3. THE LONG-RANGE ECONOMIC COOPERATION BETWEEN THE FRG AND

YUGOSLAVIA AGREED UPON BY BRANDT AND TITO MIGHT BE ACCOMPLISHED THROUGH THE EXTENSION OF A GERMAN LOAN IN THE FUTURE, ACCORDING TO MATTHOEFER. THE DETAILS OF HOW THIS COOPERATION " CAN BE ORGANIZED" WILL, HOWEVER, BE NEGOTIATED IN DISCUSSIONS WHICH WILL START SOON, "MAYBE IN SEPTEMBER".

4. REGARDING THE REPORTED SOFT TERMS OF 2 PERCENT INTEREST AND 30 YEARS MATURITY FOR A LOAN--OF WHATEVER MAGNITUDE-- MATTHOEFER SAID THIS WILL HAVE TO BE LEFT TO THE DISCUSSIONS. "IT IS CONCEIVABLE THAT PURCHASES WILL BE MADE IN THE FRG, THAT THIS WILL NOT REQUIRE ANY LOANS, AND THAT A LOAN MAY BE USED TO REDUCE SOMEWHAT THE MARKET INTEREST RATES -- OR OTHER THINGS WHICH WE DO ALSO WITH OTHER COUNTRIES."

5. WITHOUT INTENDING TO OFFER YUGOSLAVIA, MATTHOEFER ADMITTED THAT THE FIGURE OF DM 700 MILLION MAY HAVE BEEN FLOATED BY YUGOSLAVSOURCES TO SEE WHAT REACTION SUCH A HIGH FIGURE MIGHT EVOKE IN THE FRG.

6. EMBASSY COMMENT: THE FRANKFURTER ARTICLE, BY A RESPECTED AND GENERALLY RELIABLE JOURNALIST, HAS CAUSED CONSIDERABLE EMBARRASMENT IN BONN. THE STRONG REACTION BY MATTHOEFER HAS NOT DISPELLED THE IMPRESSION THAT THIS REPORT IS BASED ON AT LEAST PRELIMINARY THINKING IN THE FRG AS TO HOW TO FOLLOW UP ON THE GENERAL BRANDT-TITO DISCUSSION OF ECONOMIC COOPERATION. END COMMENT.HILLENBRAND

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